

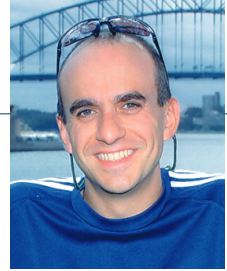
Who is this lawmaker?

In This Issue:

- *How the unelected Senate vetoed your vote*
- *Income Trusts*
- *A new organization gives taxpayers a voice in Quebec*

From the editor

Troy Lanigan is the CTF's
National Communications Director
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Hold the Presses!

This issue's cover story details the outrageousness of the unelected and unaccountable Canadian Senate delaying passage of the *Federal Accountability Act*.

One problem, this issue of *The Taxpayer* was literally at the printers when both the House of Commons and Senate unexpectedly passed the bill on December 8th. We immediately stopped production but faced two issues. First, we were already behind on production, and further delays would set our booking for print time back even further and drive up costs.

Second, a full analysis of the bill's surprise passage would take time. Did a new Liberal leader simply give the nod to Liberal Senators that he wanted it to pass? Or did the Conservatives cave on several key amendments sent back from the Senate that would effectively gut the bill's spirit and intent? (Although this does not appear to be the case.) As at the time of this writing, a copy of the bill with amendments was not even available!

So we made a decision to

leave the content of this issue — save this editorial — intact.

In the original editorial written for this space I shared correspondence between CTF supporter Martin Vogt and Chrétien-appointed Senator Tommy Banks from Edmonton. Mr. Banks was quoted in the *Ottawa Citizen* in late 2004 suggesting Canadians should pay significantly more for gasoline

and energy products to meet Kyoto targets. Mr. Vogt meticulously calculated and wrote the Senator suggesting he could save 20,256 liters of fuel a year if he moved to Ottawa.

Here's how the Senator responded on June 6, 2005: "You're right; moving to Ottawa would save lots of jet fuel. So I'll do it, just as soon as Hell freezes over ... In the meantime, I'll just continue joyously piling up all that kerosene consumption and those Areoplan miles. It's such fun!"

I share that story because while the content of this issue may not be as timely as we would like, the point of the cover story and attached story on a botched Senate trip to

Afghanistan stands. The Senate is accountable to no one. It is an archaic and arrogant institution whose time for either reform or abolition arrived years ago! As has been written in this space previously: it is the height of absurdity that a country — that considers itself a modern democracy — appoints fully one-quarter of its lawmakers!

A couple recent victories to close the year. At CTF urging the federal government announced the end of Correctional Service Canada's tattooing program for inmates.

And what's up in Saskatchewan? A two-point PST cut, full indexation of the income tax system and legislation requiring fuel tax revenue be directed to roads. Your CTF commends the NDP government for adopting these long-held CTF priorities!

Your CTF is pleased not only to welcome, but work with, the newly-formed Quebec Taxpayers League. A full feature is presented on page 19. Congratulations to Claire Joly and her organization for standing up for taxpayers in Quebec!

“As at the time of this writing, a copy of the bill with amendments was not even available!”

The Canadian Taxpayers Federation is a federally incorporated non-profit and non-partisan organization dedicated to lower taxes, less waste and accountable government. Founded in 1990, the Federation is independent of all partisan or institutional affiliations and is entirely funded by free-will,

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Bring on Health Care Choice

Will a seminal court case in Alberta bring health care choice to provinces outside Quebec?



ON: Scrooges at Ontario's Children's Aid Societies

So how do luxury cars and trips to exotic locals help Ontario's children.

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Letters-to-the-editor



Letter writer Dawson Campbell suggests the registration of guns is not a major imposition and that it's important to be able to trace them in the event they are stolen.

However, because many gun components [have] the same serial number, it is hard/impossible to establish a computerized registry system. Contrary to popular opinion, most guns are not manufactured in the United States and are not subject to regulations on serial numbering. Further, like cars, guns contain many different interchangeable parts (barrels, stocks, magazines, etc.). Billions of tax dollars were wasted on a computer system that simply cannot work accurately.

Guns are a tool and should not be subject to any regulations that differ from other tools. They can and have been used in the commission of crimes – as have cars, computers and even hammers.

The people that commit crimes, not the owner of a tool that happens to be called a gun, need to be

dealt with more harshly.

E. Roth
Edmonton, Alberta

Regarding your article on equalization, I wonder why it is so difficult to figure out.

When I read the Constitution Acts 1867 and 1982 I find in section 92 under exclusive powers of provincial legislatures, subsection 2) "Direct taxation within the province in order to the raising of revenue for provincial purposes."

If we could get the provinces to collect their own taxes to be spent in the province where they are collected, there would be no squabbles and each province would have greater incentive to spend their own money wisely.

I propose we get back to basics, namely what's written in our Constitution.

Enjar Iversen
Chilliwack, BC

Credit where credit is due?

I just heard that the prime minister paid his and his son's own way to a Toronto Maple Leaf game. I find that most commendable considering the record of previous governments.

The prime minister lives in a glass house. It's a tough job. But one that requires setting a good example.

I am tired of people of power and wealth, who least need perks, taking advantage of them. I am also tired of paying more than a fair

share of taxes for little value.

The current prime minister has my support!

Glen Bogart
London, Ontario

I have an issue with the CTF's invitation to "commend the government for billing their party for using the Challenger to fly to Toronto for a sports event".

Even if Steven Harper billed the Conservative Party for the cost of using the jet, who are the people that have funded the Conservative Party? Taxpayers and donors with generous tax credits.

Lise Rodrigue
Etobicoke, Ontario

Taxpayer on-line?

I see in today's *Calgary Herald* that Canada Post will be charging more to mail magazines. I am wondering if you could produce it on-line to save money! I already get the *Herald* and *The Economist* on-line. They are less expensive and easier to deal with.

Mary Leggett
Calgary, Alberta

Ed: Well Mary, we're trying to bridge the gap. In the supporters only section on www.taxpayer.com you'll find past Taxpayer magazine features that you can read and forward. However, the magazine format remains very popular and proves a welcome addition to many coffee tables and waiting rooms across the country!

Two views on seniors

Excessive taxation has been the bane of senior Canadians trying to prepare for retirement. I am delighted that the government is allowing senior couples to combine income to average out tax expenses and am hopeful that the proposed deferment of capital gains will be implemented. Paul Martin reaped a windfall by lowering the maximum age for RRSP from 72 to 69, which was unfair to seniors who continued to work in an effort to establish a nest-egg for retirement.

Arne Fors
Nobleton, Ontario

While I know there are exceptions, generally, seniors have benefited in ways never to be repeated, from complicated tax structures and pensions (public and private) to government handouts like OAS and GIS. They have also benefited through accumulation of government debt, and enjoyed the greatest run in real estate and stock market returns in history. What about poor sods like me born after 1960 who cannot afford to buy

the ground we live on? Implementing income splitting and tax credits for seniors is hardly a way of simplifying the tax code, nor is it a way to make a blatant broken promise on taxing income trusts right.

Ian Tootill
Vancouver, BC

In Tories we "Trust"?

Does the Conservative government have any idea how important trusts are to retired people like myself? People without a generous government pension fully indexed to inflation? The last time I looked, ten year Canadian bonds were paying the princely interest rate of 4%. Maybe Mr. Flaherty could live on a 4% annual return.

Taxing trusts will cut the financial lifeline of many seniors. We will all have to seek jobs as Wal-Mart greeters and we will curse the Conservative government for it. Seniors do tend to vote!

This is pretty much the same message I sent the previous government last year and look what happened to them!

Steve Chen
Burlington, Ontario

A bank invests its money by lending it to a business or person. The bank makes money by charging an interest rate and receiving monthly payment; hence the bank enjoys a yield in the form of interest. A bank

would never agree to only being paid when the business or a person's home was sold and made a profit. It is a sound practice to insist on a regular payment in return for one's investment. This is precisely what the income trust model has allowed, a return on one's investment without having to sell the said investment.

The current policy announcement will be the death of income trusts. It will mean that the average Canadian will no longer be able to invest like banks do, but be forced back to common equities where companies can do as they will with profits — where the only ones that share in profits are the managers and directors. Where accounting slight of hand is the norm. Where the only way a stock holder can make a profit is to sell the investment, making him a trader not an investor.

I am entirely reliant on the income from trusts. My life savings are invested in trusts on the promise by this government that they would not do what the Liberals tried to do last October. A significant percentage of my portfolio has been lost. My monthly income is now in serious jeopardy and I will have to sell my home. I wish I only had myself to blame, but this is entirely the fault of callous and indifferent politicians who lied and have cheated me out of my retirement as a result.

David Taylor
West Vancouver, BC

Letters-to-the-editor

Letters may be edited for length, content and clarity.

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Waste Watch

Warring police forces

A report issued by Public Security and Emergency Preparedness reveals financial abuse by the former band council on Kanesa-take Indian Reserve located near Montreal.

In 2004, federal and provincial governments responded to claims by then Kanesa-take Grand Chief James Gabriel that his reserve was overrun by organized crime. He claimed the current Mohawk police force was doing nothing to stop it and requested funding to set up an independent police force.

During a two-year period, \$5.5 million was provided allowing Gabriel to hire 67 new officers for his independent force. However, Gabriel failed in his attempt to oust the original Mohawk police force. Gabriel was eventually forced off the reserve, leaving his force doing little on-reserve policing.

Meanwhile, governments still paid for the original Mohawk police force, spending just under \$34 million over a two-and-a-half year period to police a band of under 1,300 people!

In its audit of Gabriel's special force, the report stated: "Financial management was not exercised in a prudent, transparent and efficient manner." That was an understatement:

- Salaries for Gabriel's men doubled in four months;
- The chief of police earned almost \$200,000 over an 11 month period;
- Some members apparently doubled their pay by simply re-submitting their pay claims;
- The force, including Gabriel, lived at a nearby Hilton Hotel for over a year at a cost of \$2 million including room rental and food.

The report further stated Gabriel's po-

lice purchased items "not ordinarily used by police forces." This included several SUV's, silencers, high-powered assault rifles and over 25,000 rounds of ammunition.

With files from www.cbc.ca

Party Boy gets 'liquored' at Government House

The biggest defenders of government owned and operated liquor stores are — not surprisingly — government employees. Apparently, private liquor stores would be less professional and susceptible to abuse!

However, a recent article by Les Leyne of the *Victoria Times Colonist* tells a different story. It involves an awards celebration for BC Liquor Board employees at posh Government House in Victoria. It showed government employees at their finest!

BC's Lieutenant Governor summed up what follows with these words, "It's always entertaining when liquor distribution branch employees are receiving awards." She was right.

Apparently a janitor, for the BC Liquor Board was eligible for a 25 year certificate. Leyne, to protect his elite liquor employee status, simply designated him as "Party Boy." The award ceremony featured all the big wigs from the Deputy Minister down as well as a large contingent of liquor board employees.

By the time the big wigs were ready to hand out his 25-year pin; Party Boy had consumed two glasses of wine, four glasses of

rum and coke, and four ciders. As he wandered to the front stage he fell and crawled up the steps on his hands and knees. He was greeted with hoots and applause when he finally rose to his feet, arms raised, to receive his award.

After receiving his pin, Party Boy meandered back



An older vehicle tax: coming soon to a driveway near you?

Waste Watch

to the bar to celebrate. When told he was cut off, Party Boy loudly complained. This caught the attention of his fellow liquor store workers who in his defence started heckling when the speeches started.

Leyne describe it this way. The speeches were “punctuated by: ‘Gordon Campbell is full of sh--!’ ... ‘F—this!’ ... and best of all – ‘what about the f—ing teachers??!!’” Another guest – call her Party Girl – got in on the act, telling the lieutenant governor ‘You can have my pin, you f—ing bitch.’”

And then there was the issue of missing silverware, but we digress.

After the fiasco, the BC Liquor Board decided Party Boy had crossed the line and fired him. However, the union in its effort to protect the professional image of its employees fought the firing tooth and nail. Yeah, you got it. Party Boy is back at work proudly displaying the professionalism that would be lost if the BC Liquor Board was privatized. He did lose six months pay, but more important he is now only four-and-half-years away from his thirty year bash.

With files from the *Victoria Times Colonist*

Friends in ‘High’ places

“I think it stinks,” John Williamson told CTV.

He was referring to a story out of London that aired on CTV’s Whistleblower program.

Last year, Ottawa — as it does each year — handed out hundreds of thousands of dollars to groups wanting to celebrate Canada Day.

In London, England, Canada’s High Commission decided to host a special event complete with street

hockey, Mounties and music. The total budget for this festivity was \$130,000 all paid for by you.

But what got in everyone’s craw was who was awarded the contract to host the event. The contract was given to a company called “Sound & Light Productions.” The owner is John Denby and he just happened to be the live-in boyfriend of Gillian Licari — the acting Cultural Relations Officer for the High Commission.

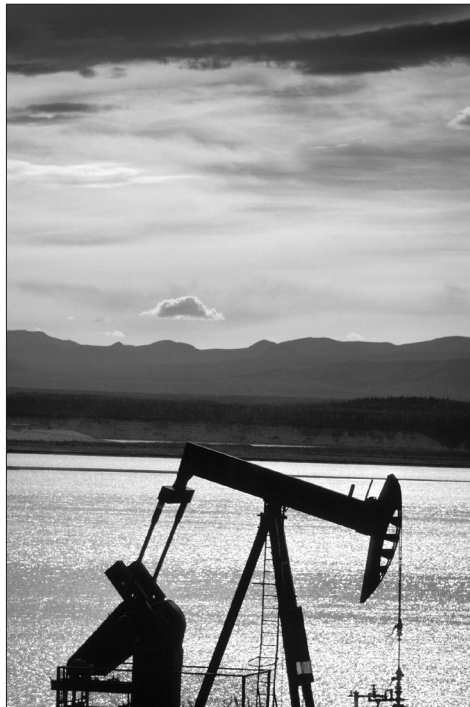
According to CTV sources she was directly involved in seeing the contract awarded to Denby’s business. CTV even obtained a hospitality report — with Licari’s signature — stating she took her live-in out for lunch, at taxpayers’ expense, to discuss the project.

However, this contract not only raised ethical concerns, it broke Treasury Board rules. First, any contract over \$25,000 must be publicly tendered. It wasn’t. Second, contracts valued over \$10,000 need public disclosure. That didn’t happen either. Third, officials are specifically told they are not allowed to “grant preferential treatment or assistance to family or friends.”

Foreign Affairs has valiantly tried to spin

its way out, stating the project was actually tendered to another group — a secretive organization called “Canada Day in London” who in turn awarded the contract to Denby. The department refused to tell CTV whose aunts and uncles run this organization.

With files from *CTV News*



The little Black Book

The Little Black Book — written by Grrrls for Grrrls was published under the auspices of the St. Stephen’s Community House in Toronto, Ontario.

According to its latest annual report (March 31, 2006),

Carbon tax in retrospective

Waste Watch

St. Stephen Community House had just over \$9.7 million in revenues. The bulk of the money — \$7.5 million — came from government sources. This included grants of \$1,543,108 from the federal government, \$3,968,825 from the government of Ontario, a grant of \$1,156,454 from the City of Toronto, as well as fees from the city amounting to \$1,175,744.

The *Little Black Book* is a book on healthy sexuality for teen girls. It includes chapters with such enlightening titles as “My First Time F***ing a Girl” that details a variety of different sex acts.

The chapter on homosexuality is particularly illuminating. It states 80% of the population is bisexual, 10% gay and 10% heterosexual.

The book also suggests that bisexual relationships are good because they expand a person's dating pool. It adds that most parents are homophobic and so are teens until they get a mind of their own.

The book — initially posted on St. Stephen's Community House website — has since been pulled.

*with files from www.lifesite.net/
www.ststephenshouse.com*

Defense misses incoming waste

One of the projects canned by the Harper government this fall was a little known radar project.

Back in the 1980s, the Defence Department decided it needed a new state-of-the-art radar system for its naval fleet.

However, by the early 1990s, engineers realized none of Canada's warships were big enough to handle all the equipment necessary to make the radar system work.

Fortunately, Prime Minister Jean Chretien showed up in

the nick of time to save the day. The Liberals threw \$45 million into a pot that would scatter new radar along both coasts that could not only track ships, but planes, missiles and terrorists.

However, by 2004-05, the auditor general was having suspicions and warned of a fiscal missile ready to hit taxpayers. We should have been forewarned when the radar didn't pick it up.

Defence managed to get a site or two constructed on the coast of Newfoundland before they noticed problems. Now, let's be clear, defence officials are adamant the units tested great in the Bahamas.

But here in Canada things were different. First, the radar didn't work so well at night. So what, we would still be protected half the time. Then the second problem popped up. Apparently, it didn't work so well during storms or high seas. In Newfoundland, once you remove bad weather and night time you were probably left with 60 days of radar protection.

But then the auditor pointed out yet a third problem. Apparently, the radar was interfering with airline radio signals and the federal department of industry would not allow it to operate for safety reasons — scrap the last 60 days. Mercifully, the Harper government put it out of its misery. The auditor suggests the move will save taxpayers around \$200 million that would have been expended in future development costs.

With files from the [Edmonton Sun](#)

No conflict of interest here

Reid Bigland, president of Daimler Chrysler Canada,

England's Canada Day celebrations raise questions



Waste Watch

has an idea that would save the environment and help his company's bottom line to boot.

He says the biggest polluters on the road today are older cars. They do not have the modern exhaust pollution technologies available on newer models. According to Bigland, a 1987 car spews out 37% more pollutants than a new vehicle.

So he suggests one way to reduce emissions is to get these old vehicles off the road.

Bigland believes the best way to do this is through a carrot approach — “enticements” or “incentives.” This is double speak for old fashioned government subsidies. Government should provide handouts to entice people to buy new cars from companies such as Chrysler.

In a classic good cop, bad cop routine, car industry consultants jumped into the discussion. Denis DesRosiers in a report on vehicle longevity said, “Replacing old vehicles with new vehicles should be the single most important agenda item for any policy maker hoping to positively impact the environment.”

He discussed Japan's method of hitting vehicles with mileage in excess of 60,000 kms with a barrage of taxes. The consultant thought that mileage limit may be too low for Canada — effectively destroying the used car market — and suggested a higher mileage of 200,000 kms before hitting consumers with higher taxes. Car industry executives will meet with federal officials in the coming weeks to discuss these innovative ideas.

With files from the
National Post

Carbon tax in retrospective

When former Prime

Minister Pierre Trudeau instituted a carbon tax in the 1970s — effectively pillaging the west in effort to fill government coffers — he used the money to establish a government-owned gas station — PetroCanada — through purchase of the Gulf network of stations.

Incredibly, taxpayers are still paying for this deal to a tune of \$4 billion a year — call it carbon tax in retrospective.

According to David Yaeger, a Calgary oil executive, when Ottawa bailed out of PetroCanada, it sold the stock, but held the debt the company accumulated as a crown corporation when it went on a buying spree purchasing among other things:

- Atlantic Richfield for \$324.4 million in 1976;
- Pacific Petroleum for \$1.4 billion in 1979;
- Petrofina for \$1.4 billion in 1981; and
- Gulf's downstream assets \$1.8 billion in 1985.

In addition, he adds the corporation had double the people it needed and massive head offices to facilitate its expansion. And like every privately owned oil company, PetroCanada was hit by the downturn in oil prices in the 1980s. Unfortunately for taxpayers, PetroCanada had a big daddy to step in and bail it out.

Yaeger lowballs the federal government's indebtedness due to PetroCanada at \$6 billion during those years. Since then with the magic of compounding interest, the debt has grown to \$80 billion today and \$4 billion in interest.

with files from the *Globe and Mail*

French demand Canada be carbon taxed

Dominique de Villepin, the Prime Minister of France, is demanding the European Union institute a carbon tax on Canadian products sold in Europe.



Two police forces for 1,300 people?

Waste Watch

He wants the tax instituted to punish Canada for not meeting its commitments under the Kyoto Protocol.

However, international law experts say the World Trade Organization, which oversees such matters, would consider such a tax on Canadian products illegal. Taxes cannot be focused on one country. However, the French are confident EU lawyers can find a way to make their tax legal.

A number of European leaders were miffed when Canada announced it would not be able to meet its Kyoto commitments — a commitment none of the other European nations are close to achieving by the 2012 deadline. Some European leaders were further outraged when Canada announced it would not commit to the second round of Kyoto reductions.

Apparently, some European leaders would prefer Canada join their liars club and like them make commitments they have no hope of meeting.

Three of the world's top five polluters — the US, China and India — were not part of the first round of Kyoto negotiations that sought to have countries reduce emissions to 6% below 1990 levels by 2012.

Meanwhile, a growing minority are questioning whether carbon gasses contribute to global warming. They suggest the sun's cycle better explains why the earth has experienced periods of warming and cooling over its history.

With files from the *Globe and Mail*/ CBC

Relocating tax dollars

Sheila Fraser, Canada's Auditor General, has slammed Public Works Canada's relocation program.

The federal depart-

ment has contracted out the moving of federal employees to Royal Lepage Relocations Services. The contract is worth over \$400 million a year and involves selling and buying new homes for approximately 15,000 defence employees who are transferred each year.

The contract awarded to Royal Lepage in 2003 was originally cancelled when it was discovered the company provided free golf games to federal bureaucrats awarding the contract and a senior bureaucrat had joined a Lepage senior vice-president on a Caribbean cruise.

The contract was retendered and Lepage won it a second time in 2004. However, Fraser has come down hard on this second contract stating the feds may have paid too much.

First, Envoy Relocation Services Inc placed a bid \$9 million lower than Royal Lepage's because of lower administrative fees.

In fact Envoy's bid was even lower than this figure. Public Works asked bidders to estimate how much they would charge the federal government for management fees if an employee decided to rent instead of buy. Envoy costed this out at \$48 million.

Royal Lepage said \$0 because it was aware

the federal government does not pick up management fees if an employee decides to rent. With this considered, Envoy's bid was actually \$57 million lower.

So why did the feds ask the question? Envoy said it should never been asked and is suing the Feds over the tender.

Of course, Federal bureaucrats still insist Royal Lepage is the better deal.

With files from the *Globe and Mail*



Another good reason to privatize government run liquor stores

Income Trusts

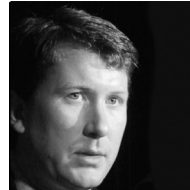
As a guiding principle your Canadian Taxpayers Federation (CTF) supports any legal means to minimize Canada's heavy tax burden. We favour lower – never higher – taxes for individuals and businesses. Yet companies should not avoid paying any income taxes by flipping to income trusts.

We advocate a single, low rate of taxation for all individuals and businesses, not just tax relief for some. We oppose a reduction or elimination of deductions unless matched dollar for dollar by further reducing marginal tax rates.

One year ago, your CTF called on Prime Minister Paul Martin to end the double-taxation of dividends rather than impose a new tax on income trusts. With the federal government growing weary of companies switching to the income trust model, the fear was Ottawa would take the easy route by taxing more. It might slap a tax on income trusts to end the trust tax preference and thereby level the playing field with other corporations.

We argued in our October, 2005, *TaxAction* to supporters "income trusts are the response to a glaring problem with the income tax system: namely the double-taxation of dividends." This double-taxation meant income earned from traditional businesses was taxed more heavily than income from trusts. In fact, we believed — and still do — the rationale for converting to trusts was not based on a sound business case but rather an irresistible tax calculation.

The *TaxAction* noted that "investment dollars are shifting to income trusts, not because of a better underlying investment, but because of favourable tax treatment. Income trusts, for example, are penalized if they do not pay out an adequate amount of income [to investors], thereby creating disincentives to reinvest in



by **John Williamson**
Federal Director

“Our campaign was never for Ottawa to ‘save income trusts.’ This was the policy of the Conservative Party in opposition. And it was broken by the Conservative government.”

•Income•Trusts•

the business.” Our philosophy is for a tax code neutral in its application that rewards business and investment decisions on the underlying profitability.

Our demand on the federal government was “to do away with the double-taxation of dividends. Or, lower corporate tax rates. This will do two things. First, it will reduce if not eliminate the incentives to create income trusts and second, it will create opportunities for Canadian businesses to turn profits and pay higher dividends.”

Our goal was to avoid another tax grab by Ottawa — something that would see the government collect ever more revenues and, of course, spend more. Pleasantly, the Liberal government decided to not increase taxes and instead adopted the policy advocated by your CTF, lower dividend taxes.

It was a positive accomplishment. The change reduced the problem of double-taxation of dividend income. It also assisted in levelling the playing field, but did not eliminate it. As a result, it did not stem the corporate rush to income trusts because the tax advantage remained. (Let this be a lesson to people who say taxes do not impact behaviour.) Business giants BCE Inc. and Telus Corp. announced conversions and others were similarly eyeing the tax benefits.

Our campaign was never for Ottawa to “save income trusts.” This was the policy of the Conservative Party in opposition. And it was broken by the Conservative government on Oct. 31 when Finance Minister Jim Flaherty announced tax changes that resulted in a large stock market adjustment and a massive paper loss for some investors.

Our review considers the overall tax impact and implications to Canada’s economy.

Mr. Flaherty imposed a new tax on trusts

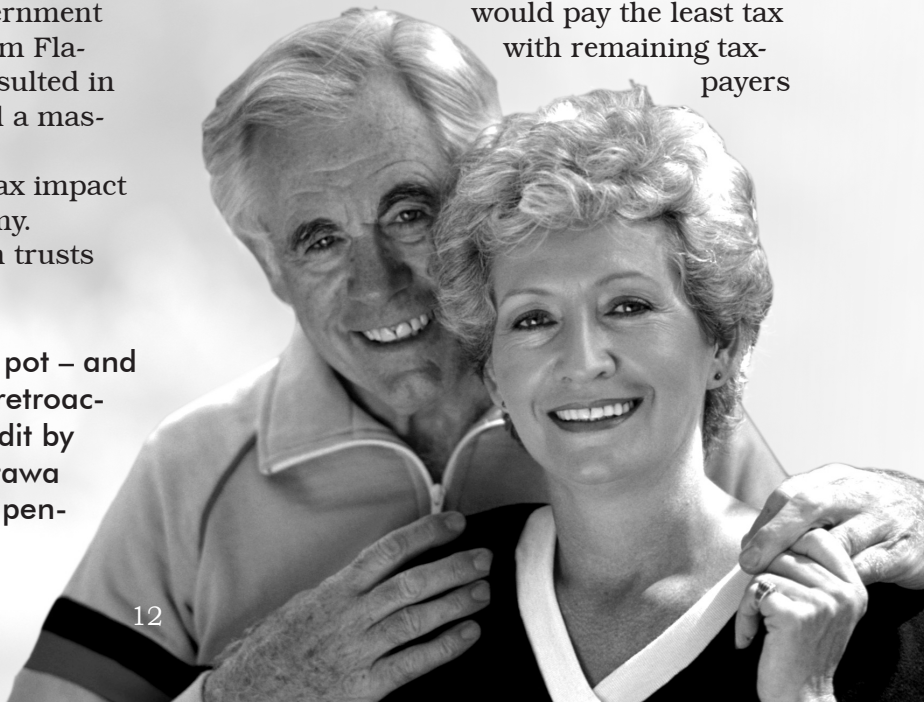
to stop a future loss of tax revenues and ensure upcoming conversions will be based on a business rationale, not a tax dodge. He also announced a reduction in Canada’s corporate income tax rate and a billion dollar annual tax cut for seniors.

The federal government will start taxing trusts in the same manner as traditional corporations. New trusts will be taxed beginning in 2007. Existing trusts will be given a four-year grace period and taxed only in 2011. Also in 2011, the general corporate income tax rate will drop one-half a per cent.

Ottawa’s revenues will not rise as a result of the new tax and ending the trust loophole means a lower income tax rate on business. The increase was matched with an overall corporate tax reduction. This will end the incentive on becoming a trust on grounds other than it being a sound business decision. Ottawa also left intact the dividend tax cut announced last year, removing investor distortions caused by the tax code.

Some suggest Ottawa could have simply eliminated corporate taxes to put all businesses on an equal footing. Government cannot have zero corporate taxes with Canada’s high personal taxes. The result would be people suddenly organizing their affairs as corporations just as corporations were structuring themselves as income trusts to avoid tax. Ultimately, the government would face a different tax problem. People with the best lawyers would pay the least tax with remaining taxpayers

“Minister Flaherty sweetened the pot – and cooled tempers – by announcing a retroactive increase in the senior’s age credit by \$1,000 from \$4,066 to \$5,066. Ottawa will also permit income splitting for pensioners beginning in 2007.”



•Income•Trusts•

stuck paying the bills.

Minister Flaherty sweetened the pot — and cooled tempers — by announcing a retroactive increase in the senior's age credit by \$1,000 from \$4,066 to \$5,066. This will benefit low and middle-income seniors. Ottawa will also permit income splitting for pensioners beginning in 2007. The latter will permit senior couples to split their pension income and thereby reduce their income taxes. For example, if one spouse earns \$100,000 and the other \$50,000, splitting the income will mean an annual tax savings of \$1,500. If one spouse earns \$60,000 and the other collects no pension income, the tax relief will be \$2,700. And if one spouse earns \$40,000 and the other also collects no pension, the savings will be \$2,500. Moreover, if Ottawa permits income splitting for some citizens, why not push to extend it to all Canadian families?

The investments of many, many Canadians were impacted when the stock market tumbled after Oct. 31. The finance minister cor-

“Government cannot have zero corporate taxes with Canada's high personal taxes. The result would be people suddenly organizing their affairs as corporations”

rected a corporate tax discrepancy by imposing a new tax. His reforms end the tax advantage for some investment instruments but lowers taxes on businesses as a

whole. The pension splitting benefits seniors and opens a new avenue for family-friendly income splitting.

Ottawa's overall tax bite has been reduced. As such, the finance minister's policy prescription is — on balance — supported by your CTF. So what's next?

The morning after Mr. Flaherty's announcement the CTF received a call in Ottawa from the department of finance. The government official wanted to assure us the 2007 Budget will contain additional tax relief for all Canadians. And should we believe this? Increasingly it appears voters will go to the polls in the spring. Prime Minister Stephen Harper will need to give Canadians a powerful reason to re-elect his government. Significantly lower personal taxes will prove to be a powerful vote getter. ■

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The magazine that tells it like it is

How the Unelected Senate Vetoed

Liberal Senators Refuse to Pass the Federal Accountability Act

By Adam Taylor & John Williamson

Liberal Senators said over the summer they will not be rushed into passing Bill C-2, the *Federal Accountability Act*. The bill passed the House of Commons on June 21 with support from all parties, including the Opposition Liberals. It now requires approval in the Senate before it becomes law in Canada. The fact the bill received overwhelming support in the democratically-elected lower chamber may cause some to believe its passage in the upper house is a formality. It is not.

Since the last election your CTF has loudly advocated for the speedy passage of the Conservative's accountability reform package. Unfortunately, the Senators have been true to their word and today refuse to pass the *Federal Accountability Act*. The will of voters has been thwarted by unelected legislators.

After more than twelve years of Liberal rule, the 105-member Senate is chock-full of Liberal appointees.

There are 65 Liberals sitting in the Red Chamber versus the Conservatives' 23. Additionally, there are three "Progressive Conservative" Senators, one New Democrat, four independents and nine vacancies.

Liberal Senators have the power to thwart any Conservative legislation by burying a bill in committee or watering it down with amendments.

And Senators have done both.

Since June the Senate's Legal and Constitutional Affairs Committee has heard from over 140 witnesses, which is more than the number that appeared before the Commons committee. If an organization opposed the *Federal Accountability Act* you can bet it testified before the unelected lawmakers. Your CTF refused to participate when called to appear. The absurdity of these hearings was revealed when one witness admitted to Senators that he had not even read the legislation. But that did not stop him from providing "expert" testimony. Soon after this moment of honesty the com-

Please read
Lead Editorial
on page 2, for updated
information on
Federal Accountability Act!

“In October, the upper chamber announced it will make more than 100 amendments to the bill and send it back to the House of Commons for additional debate. This delay is a slap in the face to the millions of Canadian voters crying out for the government to change the way business is conducted in the nation's capital.”

Retooled Your Vote

al Accountability Act

mittee's work wrapped up. The delays, however, were far from over.

In October, the upper chamber announced it will make more than 100 amendments to the bill and send it back to the House of Commons for additional debate. This delay is a slap in the face to the millions of Canadian voters crying out for the government to change the way business is conducted in the nation's capital.

The *Federal Accountability Act* is a good start on the road to greater government accountability. It will change the culture in Ottawa. The goings-on of lobbying, ethical oversight, appointments, government contracts, political party donations, and advertising will be subject to clearer rules and greater transparency.

Protection for whistleblowers will be established. The power of the auditor-general and ethics commissioner will be enhanced. Taxpayers will breathe a bit easier knowing the spending of tax dollars will be subject to greater scrutiny. And they will applaud the penalties that will tar-

get those who abuse the public's trust.

Bill C-2 is not without flaws. The government abandoned reforming Ottawa's *Access to Information Act*. This type of "sunshine law" mandates that government records and decisions be made available to the public. It is another line of defence against abuse of tax dollars and secretive government. Other commitments were watered down. For example, the promise of a procurement auditor and the establishment of a parliamentary budget authority will live or die at the mercy of Cabinet.

Other sections of C-2 were amended by the committee studying the legislation. One such casualty was the provision to permit the auditor-general to oversee tax dollars after they are transferred to native bands. Taxpayers currently provide \$8-billion a year to reserves across Canada, yet there is no way to scrutinize how that money is spent.

It was opposition

“The *Federal Accountability Act* is a good start on the road to greater government accountability. It will change the culture in Ottawa. The goings-on of lobbying, ethical oversight, appointments, government contracts, political party donations and advertising will be subject to clearer rules.”



The unelected, unaccountable **SENATE** Cover Story

members that voted to remove this important reform from the bill. Despite the New Democratic Party's support of the government's *Federal Accountability Act*, it was Pat Martin, the NDP's normally sound go-to-guy on accountability, who was the swing vote.

Despite these flaws, the *Federal Accountability Act* is a step forward. It brings into place laws and mechanisms that were not there before. It provides an accountability framework on which to build and improve. It fulfils much of what the Conservatives promised to do in the election campaign. Yet the democratic will of the Commons has now been thwarted in the Senate.

The Liberals acted with impunity. There was no need for any opposition horse trading. They had the votes in the upper house and used them to unilaterally remove oversight provisions the Liberal Party does not support. Perhaps the most self-serving change is an amendment to raise the political donation limits rejected by the House of Commons.

Prime Minister Stephen Harper does not have the option of stacking the Senate with additional appointees like Brian Mulroney did to pass the GST in 1990. For starters, the numbers simply are not there. But even if they were, it is the wrong solution. Senate reform is a central policy supported by Mr. Harper and it should remain so. Stacking the Senate will only alienate voters and legitimize the actions of a rogue Senate.

The so-called chamber of sober second thought has come under fire in recent

years. Senators are unelected, its regional make-up is horribly flawed, and its members are mostly the partisan faithful of the government of the day. Senators do not face the public for approval and have little to no authority in the regions they purportedly represent. Canadians elected a minority government in large measure on the strength of Mr. Harper's promise to pass the *Federal Accountability Act*. As such, the Senate should have approved Bill C-2.

Should the gridlock continue between the House of Commons and the Senate, the Prime Minister should go directly to the people. The Liberal Par-



“Despite these flaws, the *Federal Accountability Act* is a step forward. It brings into place laws and mechanisms that were not there before. It provides an accountability framework on which to build and improve. It fulfils much of what the Conservatives promised to do in the election campaign.”

ty lost the last federal election largely on the question of integrity and accountability. Mr. Harper would be acting in the public interest by dissolving Parliament and calling a general election to be fought on the *Federal Accountability Act*.

The last “great debate” during a federal election was fought over the Canada-U.S. Free Trade Agreement. Of course, that issue divided Canadian voters. There is no division among Canadians on the question of a cleaner, more transparent and accountable federal government.■

An Indefensible Junket

Colin Kenny,
Chairman of
the Senate
Committee on
National Security
and Defence, is

applying a time-tested military tactic:
A strong offence is a smart defence.

At a Parliament Hill news conference
in October, he scolded journalists, ed-
itorial writers and Canadians for dar-
ing to question why his Senate commit-

tee spent tens of thousands of
dollars on a recent trip to the
Middle East. Indeed, a de-
fiant Sen. Kenny instead
characterized the story as
“cartoon journalism.” He
blew the



by John
Williamson
Federal Director

“Canadi-
an military officials
met with Sen. Ken-
ny in his office before-
hand to explain ‘for
reasons of personal
safety,’ travelling
to Afghanistan
was not an
option.”

opportunity to explain
how taxpayers receive
value for their money
from this committee’s
work.

At issue is not
whether lawmak-
ers should travel to
perform their duties.

Clearly, they must. Rather, it is
why four senators and three staff mem-
bers travelled to Dubai in September to
wait seven days for permission to trav-
el to Afghanistan on a fact-finding trip.
When the story erupted, Conservative
Senator Michael Meighen told CTV Na-
tional News that committee members

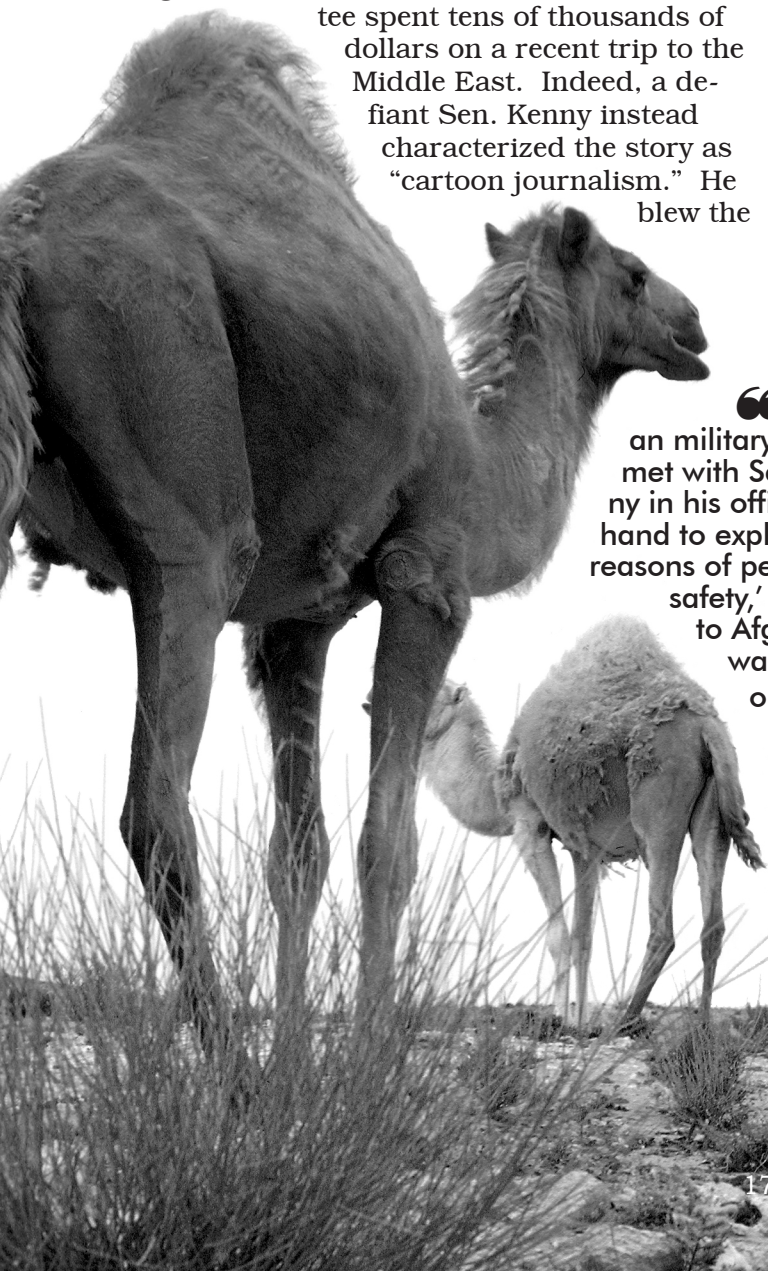
had stayed in Dubai because they were wait-
ing to travel to Central Asia. “We shouldn’t
have cancelled Dubai as long as there was a
chance we’d get into Afghanistan,” he said.

It turns out that some senators knew the
committee would not be travelling to Afghan-
istan. We know now Canadian military offi-
cials met with Sen. Kenny in his office before-
hand to explain “for reasons of personal safe-
ty,” travelling to Afghanistan was not an op-
tion. (Operation Medusa, which was then un-

derway, had Canadian soldiers en-
gaged in battle against insurgents.
NATO said hundreds of Taliban
members were killed. Sadly, five
Canadians died as well.)

Rather than modify their trav-
el plans before departure or along
the way at stops in England or
the Netherlands, the committee
pressed on. The senators gam-
bled the military situation in Af-
ghanistan might improve and their
trip could proceed as planned. Yet
they ended up waiting around in Dubai for a
week, attending one three-hour meeting with
port officials and spending nearly \$30,000 on
posh hotels. Sen. Kenny now claims the mili-
tary’s “warning had come late.”

Sen. Kenny sees goblins everywhere. One



minute, he says this is not about accountability and oversight of tax dollars but is a campaign to discredit the upper house in the voters' eyes. The next, he claims the criticism is about making Senate reform an election issue. He also insists a further motivation is that the Conservative government does not want its handling of security issues questioned.

Senate testimony paints an altogether different picture. Other senators have been critical of this committee's budget and travel costs for some time. The Dubai junket is simply the straw that broke the camel's back.

In March, 2005, the security and defence committee requested a \$914,000 budget for the 2005/06 fiscal year. Liberal Senator Serge Joyal expressed concerns about the proposed budget: "When I voted in favour of creating the Standing Senate Committee on National Security and Defence, it was not inherent that the committee would spend \$1-million per year to travel around the world." Senator Joyal pointed to another senate committee studying anti-terrorism

legislation and noted it heard testimony from around the world via teleconference.

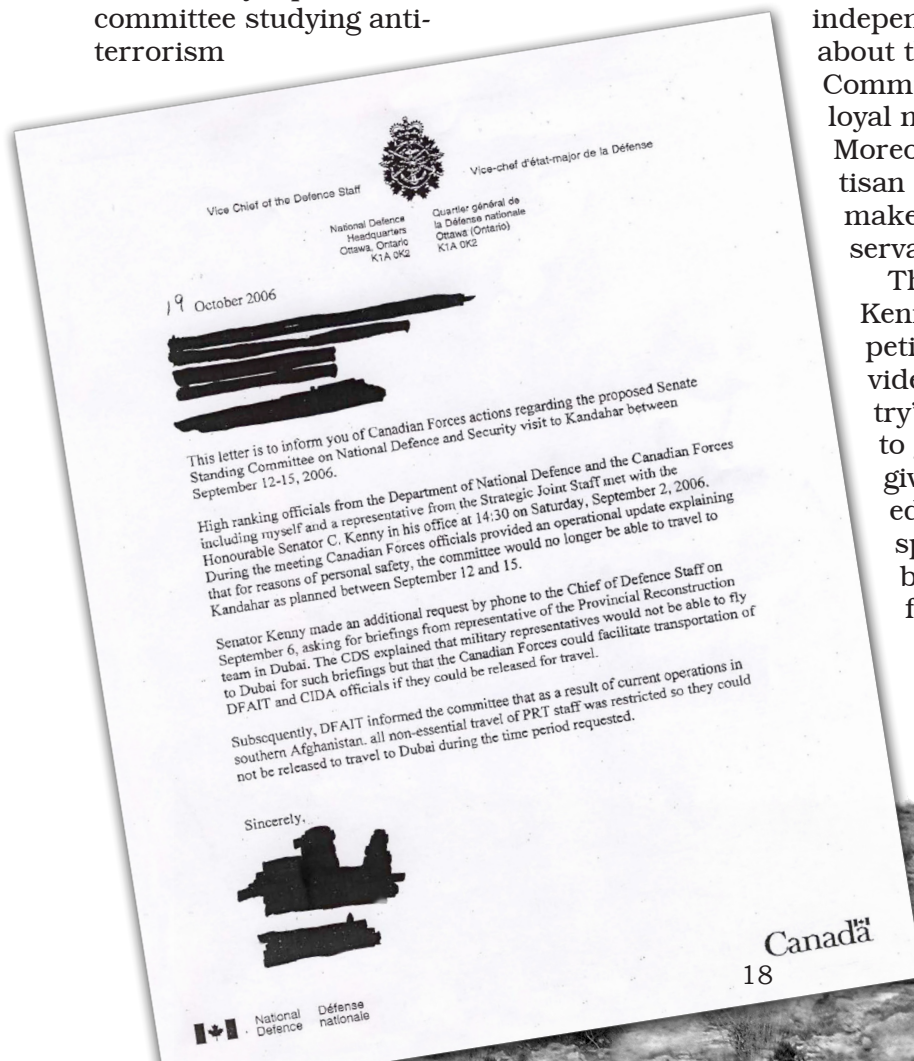
In the end, the Senate clipped the committee's budget to \$657,000, an amount still regarded as high by some. Sen. Lowell Murray, for instance, asked what this \$657,000 represented as a proportion of the total of all budgets for all senate committees. Sen. Paul Massicotte, then-chairman of the Senate's Board of Internal Economy, replied, "I believe the answer would be one-third."

The public's demand for greater accountability and transparency includes the Senate. Its Board of Internal Economy now owes it to taxpayers to call Sen. Kenny to account for the spending and changing story. Pressure should be applied for the senators to return the Dubai trip money. Failing this, the committee's budget should be reduced by the amount spent in Dubai.

It simply does not hold that revelations about the junket were an attempt to discredit the Senate as a whole (although it did just that) — not with Conservative, Liberal and independent Senators all raising concerns about this committee's budget. Indeed, Committee Vice-Chair Sen. Meighen is a loyal member of the Conservative caucus. Moreover, the committee's strong bipartisan support for the Canadian Forces makes it an unlikely target for the Conservative government.

Throughout this entire episode, Sen. Kenny has never been shy about trumpeting his committee's work to provide solutions to improve our country's security. What he does not seem to grasp is that good work does not give any parliamentarian — elected or otherwise — license to spend tax dollars recklessly or balk when called to account for such spending. ■

“The public's demand for greater accountability and transparency includes the Senate.”





Standing up for Quebec taxpayers

Standing up for Quebec taxpayers

*By Claire Joly
Quebec Taxpayers League*

Politicians and special interest groups often forget that someone has to pay for their pet projects. It's as true in Quebec as in any other part of Canada. Until now though, taxpayers objecting to the way their money was spent were pretty much voiceless. That is going to change very soon with creation of the Quebec Taxpayers League. We will make our supporters' views heard loud and clear!

On federal issues, the League will gladly relay the CTF's positions to a French-speaking audience in order to gather support for change. Ottawa politicians will have a harder time procrastinating.

As for Quebec politicians, they have been out of control for decades. They're taxing, they're spending and in the process they cripple our economy. Is it that bad? Yes! Quebec taxpayers bear the heaviest tax burden in the country and the second highest debt burden in Canada, right after Newfoundland & Labrador (as a % of GDP).

Public finances are obviously a mess, but we don't know how big a mess it is. Quebec does have a *Balanced Budget Act* on the books and budgets do get balanced every year — or so successive governments

have said. In October, Finance Minister Michel Audet proudly announced a surplus of \$37 million. Not so, says Quebec's auditor

“taxpayers objecting to the way their money was spent were pretty much voiceless. That is going to change very soon with creation of the Quebec Taxpayers League.”

Standing up for Quebec taxpayers



Claire Joly

“The new Quebec Taxpayers League will demand the government adopt rigorous accounting practices that comply with Public Sector Accounting Board standards. Taxpayers are entitled to the utmost transparency and accountability when it comes to the use of their tax dollars.”

Guess how we treat Quebec Members of National Assembly (MNAs) for doing such a dismal job of watching over our hard-earned money? We give them the highest provincial in-

general who has for years been blowing the whistle on the government's creative accounting practices. The auditor states that since the passage of the Act in 2001 the accumulated deficit is at least \$5.3 billion.

The auditor general's office has made 20 recommendations regarding the accounting practices of the provincial government, some of them going back as far as 1998. Of these 20, only four have been fully implemented. This is unacceptable.

As a starting point, the new Quebec Taxpayers League will demand the government adopt rigorous accounting practices that comply with Public Sector Accounting Board standards. Taxpayers are entitled to the utmost transparency and accountability when it comes to the use of their tax dollars.

Transparency is a principle that should apply to our elected officials' compensation too.

demnity in Canada, including a so-called annual allowance that is exempt from provincial and federal income tax! They also benefit from a “gold-plated” pension plan that the CTF has been so successful at reforming across the country. As for their travel expenses — well — no one knows because this

information cannot be obtained under the *Access to Information Act*. Last year, only one MNA chose to disclose his travel details.

Quebec taxpayers are angry! Occasionally, public outrage has made politicians reconsider an unpopular decision. But most of the time, taxpayers have ended up footing another bill. That is why being organized as well as proactive is so important.

Take, for instance, the massive increase in automobile licence and registration rates Quebec motorists will have to deal with over

Provincial tax burden as percentage of GDP

QC	38.3
PEI	36.6
ON	34.6
NS	34.5
MB	33.6
NB	33.1
BC	31.5
SK	31.1
NL	27.2
AB	24.6
YT	24.0
NU	20.1
NT	19.3
National Average	33.2

Standing up for Quebec taxpayers



“Guess how we treat Quebec Members of National Assembly (MNAs) for doing such a dismal job of watching over our hard-earned money? We give them the highest provincial indemnity in Canada, including a so-called annual allowance that is exempt from provincial and federal income tax!”

ful policy change can be achieved by relentlessly

the next few years. It was no secret that the government-run no-fault insurance scheme had been running a deficit. It was no secret either that two successive governments had raided the compensation fund's surpluses in order to balance their budget. At least \$2.2 billion went straight into the provincial government's operating fund over a period of eight years, starting in the mid-80's. As a result, today's drivers just learned license fees will double and so will motorcycle registration fees. For motorcycles with more powerful engines, the rate will quadruple!

That policy may be too late to change, but it's not too late to demand measures that would prevent something similar from happening in the future. That's what the Quebec Taxpayers League will do. Instead of *reacting* we will be *pre-acting* on taxpayers behalf!

The Canadian Taxpayers Federation has shown the way. Their achievements should leave no doubt that meaning-

speaking out for taxpayers with passion and integrity. That's exactly what the Quebec Taxpayers League intends to do. Like the CTF, we will stand up for our supporters, day in, day out.

We will also share one other important element with the CTF: we will be a supporter-based organization relaying on voluntary contributions. If you have friends, families or work colleagues in Quebec please encourage them to contact and support the League! Together with the CTF we will be fighting for taxpayers in Quebec! ■

Contact information:

Ligue des contribuables du Québec /
Quebec Taxpayers League

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Candiac, Quebec J5R-5X3
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E-mail: cjoly@soscontribuables.ca
www.soscontribuables.ca

Enough is Enough – on Health Care Choice

Back in September, your CTF began to work with the Canadian Constitutional Foundation, on behalf of a Calgary resident named Bill Murray, who is challenging the Alberta law forbidding citizens from purchasing private health insurance.

An accountant in Calgary, Bill Murray was prevented by law from spending his own money on private health insurance. Forced to rely on the government's monopoly system, he suffered needlessly from severe and worsening pain in his hip for over a year before being able to see a specialist. The specialist recommended a Birmingham hip replacement. The Alberta government refused to provide it, claiming that at age 57, Bill Murray was too old. In the absence of private medical insurance, Mr. Murray paid out of his own pocket for this medically necessary treatment.

Mr. Murray's experience is not unique. Canada's health care system forces people to suffer on wait lists. Canadians who wait for months – even years – for necessary medical

treatment often suffer irreparable harm to their health, in addition to much pain. Physical suffering is compounded by psychological suffering: the inability to work and to enjoy life. But while an inefficient, unaccountable, government-run health care system inflicts physical and psychological suffering on patients, provincial laws prevent Canadians from spending their own after-tax dollars on health insurance, so as to obtain medical services outside of the government's rationing system.

The *Murray v. Alberta* case seeks to replicate the Supreme Court of Canada decision in *Chaoulli v. Quebec*, which struck down a Quebec law forbidding the purchase of private health insurance on the grounds that it violated the Quebec Charter of Human Rights and Freedoms. The Alberta government recently scrapped plans to allow Al-

“The specialist recommended a Birmingham hip replacement. The Alberta government refused to provide it, claiming that at age 57, Bill Murray was too old. In the absence of private medical insurance, Mr. Murray paid out of his own pocket for this medically necessary treatment.”

bertans to purchase complementary private health insurance. The *Chaoulli* ruling is only applicable to the province of Quebec and the Murray case will seek to enshrine similar rights in the rest of Canada, beginning in Alberta.

The *Chaoulli* case properly ruled when the Medicare monopoly results in waiting lines, Quebecers have the right to spend their after-tax dollars on their own health care. Albertans can't be blamed for wanting those same rights.

Regrettably, provincial governments have been slow to act. In spite of the *Chaoulli* decision, and in spite of polls showing a majority of Canadians support the availability of private health care as long as the public system is maintained, provinces still deny Canadians freedom to spend their own after-tax income to preserve their own health or the health of their loved ones. Canadians can spend all their after-tax dollars on gambling, alcohol and tobacco, but not on health care. Ironically, Canadians can buy medical insurance for their pets, but not for their children.

Canadians are well ahead of their government when it comes to health reform. Enough is enough. How many more people must sit and suffer on government waitlists before politicians remove this archaic ban on private health insurance? Canada's health care system must change. The only other nations that ban private medical services and private medical insurance are Cuba and North Korea. ■

“Canada's health care system must change. The only other nations that ban private medical services and private medical insurance are Cuba and North Korea.”

And now for Health care foolishness

In this rapidly changing 24/7 world it is shocking that our health care system still operates under archaic laws.

Recently, British Columbia health minister, George Abbott ordered the Vancouver-based St. Paul's Hospital to stop fully utilizing its magnetic resonance imaging or MRI

Health Care Reform

machines. St. Paul's had been enabling private for-profit companies to rent its MRI facilities when they were not being used by the public system. Private firms would then charge patients approximately \$755 per test.

Minister Abbott launched an investigation into the MRI practices at St. Paul's to determine if the Canada Health Act, and possibly the BC Medicare Protection Act and Hospital Insurance Act had been violated. Abbott stated, "Queue-jumping is contrary to the Canada Health Act and certainly the allegations involved queue-jumping ... Obviously, it's unacceptable, inappropriate and of enormous concern to us."

This MRI practice has been so successful for St. Paul's, it has generated enough ex-

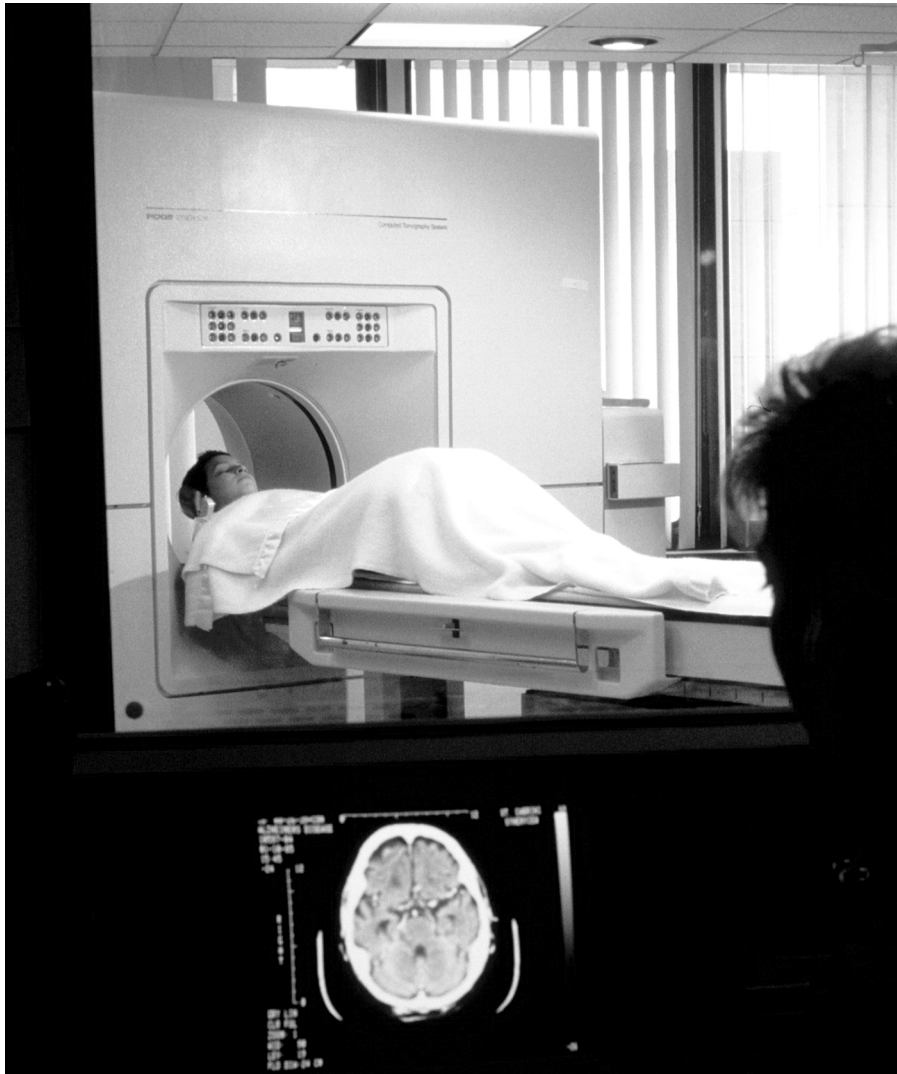
tra revenue to hire a full-time radiology technician to do an extra 4,000 *public* MRIs this year. Further, the private MRIs also helped others because the private option reduced wait list times for public MRI tests. The BC health minister should be jumping for joy, not launching an investigation.

Besides, the government doesn't seem to mind "queue-jumping" when patients are referred by organizations such as the Insurance Corporation of British Columbia or Worker's Compensation.

This is the wrong response Mr. Minister. Instead of restricting access to MRIs you should be working to change the BC *Medicare Protection Act*, the Hospital Insurance Act and pressing the federal government to

change the *Canada Health Act* to allow for *more* access to MRIs. After all, if the politicians don't change the laws it is highly likely patients, through the courts, will.

Last June, the Supreme Court of Canada ruled that legal restriction of private health care services and insurance vi-



“This MRI practice has been so successful for St. Paul's, it has generated enough extra revenue to hire a full-time radiology technician to do an extra 4,000 *public* MRIs this year. Further, the private MRIs also helped others because the private option reduced wait list times for public MRI tests. The BC health minister should be jumping for joy, not launching an investigation.”

Health Care Reform

olate the Quebec Charter of Human Rights and Freedoms. The high court upheld the constitutional challenge brought by Dr. Jacques Chaoulli to laws forbidding Quebec residents from purchasing a full range of private medical services and private medical insurance.

The Canadian Constitutional Foundation, on behalf of Calgary resident Bill Murray, announced a constitutional challenge to Alber-

“the government doesn’t seem to mind ‘queue-jumping’ when patients are referred by organizations such as the Insurance Corporation of British Columbia or Worker’s Compensation.”

ta’s health care laws, which are almost identical to the Quebec law stuck down by the Supreme Court of Canada in the Chaoulli case.

One way or another, health laws in Canada are going to change as Canadians are demanding the system open to greater choice. It is time our politicians – federal and provincial – stopped defending archaic laws and starting paying attention to the health of Canadians.■



Have you visited the CTF’s supporter website?

As a supporter of the CTF, we are pleased to announce that we have designed a website just for you!

The site gives you access to past cover stories in *The Taxpayer* magazine and popular sections like Waste Watch.

You will also be able to fill out our annual supporter survey, reference past issues of *TaxAction*, check out special affinity offers, change your mailing address and refer others to the CTF as an important organization to support!

How to Access your Supporters’ website:

- ➡ Go to your CTF’s website: www.taxpayer.com
- ➡ Click on the supporters’ link located in the left navigation bar.
- ➡ When prompted for a password, type in your e-mail address.
- ➡ If you are not let into the site, contact the CTF at 1-800-667-7933

Around *the* CTF

Each month CTF offices in five provinces and Ottawa handle hundreds of media interviews and inquiries, hold press conferences, publish reports, make presentations to government and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. CTF representatives also speak at functions and organize major campaigns nationally and in the provinces that lead to public policy change. The following highlights activities for the months of July through October 2006:

July

FEDERAL: Director John Williamson skewers a secret deal by MPs to increase living allowances by 20% and – wait for it – the ability to direct their \$75 a day meal allowance to pay down a mortgage in the nation's capital. John challenges Prime Minister Harper to end Ottawa's inbred culture of entitlement — not enhance it!



CTF announces the appointment of Neil Desai as its new director in Ontario.

ALBERTA: The CTF declares victory with many CTF recommendations forwarded to the City of Calgary's Compensation Review Committee being adopted including — finally — making 100% of councillor salaries subject to federal and provincial income tax.

position and publicizing repayment records once in office, Industry Minister Maxime Bernier puts the federal government's flagship corporate welfare program Technology Partnerships Canada back on life support by issuing new regulations and announcing funding recipients. Director John Williamson reiterates the CTF call for lower business taxes and an end to subsidy handouts.

BRITISH COLUMBIA: After 12 years in the provincial capital, the CTF announces it has moved its BC office to Vancouver to expand Interior and Lower Mainland development.

ONTARIO: Neil Desai is named the CTF's provincial director taking over from Tasha Kheiriddin. Neil immediately responds to a surprise surplus for fiscal 2005/06 by demanding repeal of the province's health tax.

August

FEDERAL: After criticizing corporate welfare in op-

September

MANITOBA: The CTF calls for tax and debt re-

Around *the* CTF

duction with the release of the 2005/06 public accounts which show revenue and spending at an all time high. Director Adrienne Batra marks Right to Know Week by appearing as a conference panellist.

FEDERAL: The CTF welcomes the federal government's announcement that it will pay \$13.2-billion down on the federal debt and trim \$1.1-billion in spending including corporate welfare and the Court Challenges Program.

ALBERTA/NATIONAL: The CTF welcomes a court challenge initiated by the Canadian Constitutional Foundation on behalf of Calgary resident Bill Murray challenging an Alberta law forbidding citizens from purchasing private health insurance. Former CTF Alberta director John Carpay is the foundations director.

FEDERAL: The CTF reacts angrily to the Senate's delay of passage of the *Federal Accountability Act*. The bill passed the democratically elected House of Commons with broad multi-partisan support in June. The CTF would later issue a *TaxAction* to supporters urging them to contact members of the Senate's Legal and Constitutional Affairs Committee and de-

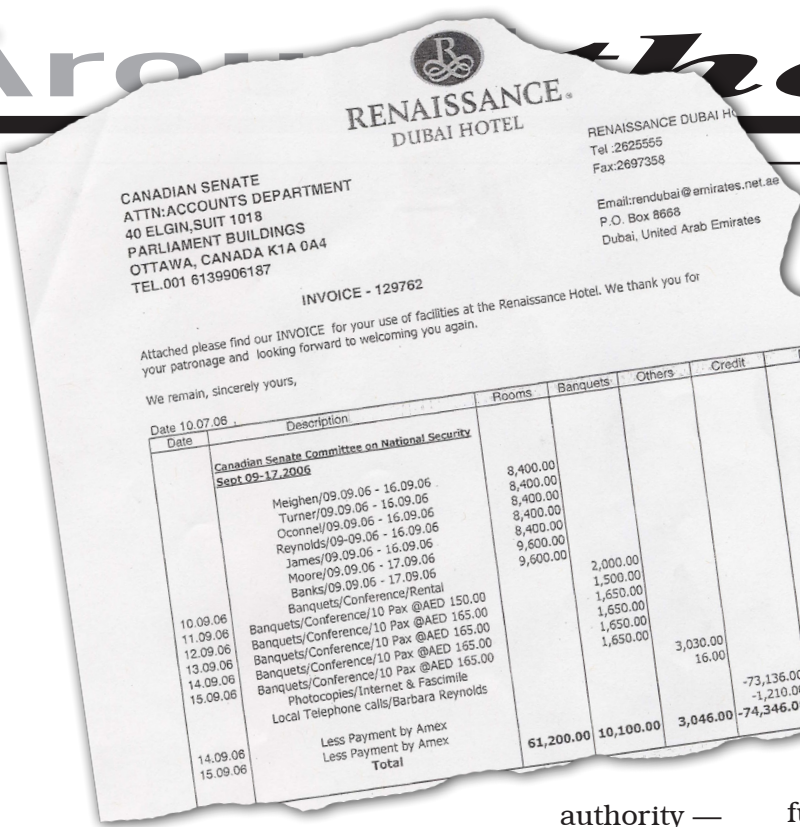
mand its immediate passage.

BRITISH COLUMBIA: The CTF heads a broad coalition in support of strengthening the province's Freedom of Information law. The Campaign for Open Government is followed up with a well-attended and media covered conference marking Right to Know Week featuring prominent local and cross country speakers.

ONTARIO/NATIONAL: While Canada's Big City Mayors Caucus gathers in Toronto, the CTF issues a statement opposing any new taxing power for local government. Ontario director Neil Desai warns fiscally reckless Toronto — which recently received new taxing

Saskatchewan director David MacLean, citing rapidly rising costs at the provincial liquor board stores, pushes for its privatization.





porter survey which for the first time, can be filled out on-line.

October

MANITOBA: Documents obtained by the CTF through Freedom of Information show Winnipeg city councillor Donald Benham mis-

using his taxpayer funded credit card for purchases such as hair cuts, liquor and books on winning elections. The CTF demands Benham return his credit card and reimburse city ratepayers.

FEDERAL: The CTF leads national opposition to yet another Senate junket ... this one costing taxpayers \$150,000. Their intention was to visit troops in Afghanistan. But even before they left Canada, the military told them it was not safe. Not deterred, four senators and three staffers travelled to Dubai apparently to wait for the military to change their mind.

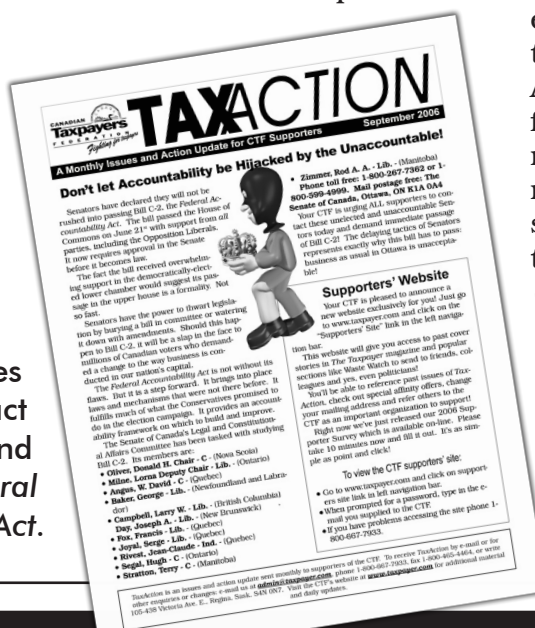
BC/FEDERAL: The CTF applauds the federal government's announcement that it will audit the millions of federal tax dol-

CTF releases receipts of Senators' trip to Dubai obtained in a brown unmarked envelope.

authority — is no model for the rest of the country.

NATIONAL: The CTF unwraps a new website exclusively for supporters that includes past *Taxpayer* magazine features, *TaxActions*, affinity offers, referrals, address change info, and the 2006 sup-

A *TaxAction* urges supporters to contact Senators and demand passage of the *Federal Accountability Act*.



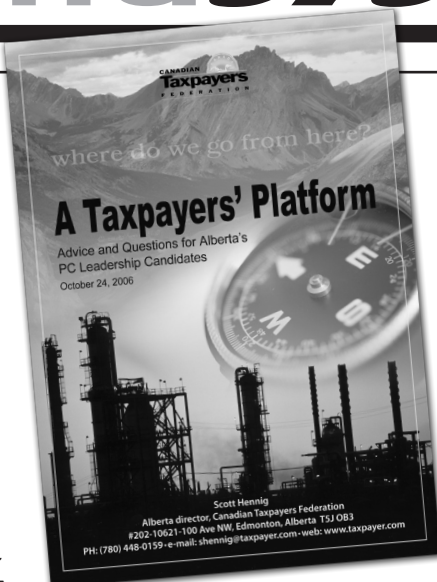
Around *the* CTF

lars given to Vancouver Olympic organizers calling it a good first step toward accountability and inviting the provincial government to follow suit.

ALBERTA: In the lead-up to the provincial PC leadership race, the CTF announces distribution of a questionnaire to leadership candidates on 16 key issues. The CTF also commissions a poll on key CTF priorities to put pressure on candidates to adopt taxpayer-friendly positions.

SASKATCHEWAN: The CTF releases a major study showing the cost of running government liquor stores has soared 33% over the past four years. Salaries — which account for 65% of all expenses — are up 23% while construction costs are up a whopping 500% over the previous year! Director David MacLean launches a province-wide petition drive in support of privatization.

FEDERAL: The CTF welcomes news that the Conservative Party — rather than taxpayers — will pick up the cost of the



CTF-Alberta sends a questionnaire to PC leadership candidates to learn where Alberta's next premier stands on taxpayer issues.

prime minister's personal use of the challenger jet to take his son to a hockey game in Toronto. The CTF has been calling for this for years. The CTF also welcomes news that Finance Minister Jim Flaherty says more tax relief is on the way.

Activity Report July, August, September and October 2006

Office	Media Interviews	Events/ Speeches/ Letters/Releases/ Reports/Meetings/Etc.
Ottawa**	392	44
Alberta	156	30
Manitoba	135	45
BC	106	42
Ontario	99	13
Sask	96	38
Total	984	212

CTF budget priorities:

TAXES, DEBT & CHOICE

Your CTF presented this year's budget recommendations to Finance Minister Carole Taylor in November. The report, "A Taxpayers Budget" focuses on three key areas: taxes, debt and choice.


Your CTF urged the government to establish a tax review committee with a mandate to simplify, flatten and lower personal and corporate income taxes. British Columbia has one of the most complicated income tax systems in Canada. There are five different marginal rates for personal income taxes and a myriad of tax credits, deductions and exemptions for corporate taxes. According to this year's supporter survey, 95 per cent of you want a tax review committee established.

Your CTF also recommended a starter plan for the government to ease the tax burden and simplify the tax code. The basic personal exemption should be increased to \$15,000 ensuring taxpayers can first meet their basic needs before handing money over to the government. Second, eliminate the top two income tax brackets as they are disincentives to productivity and hard work. Finally, eliminate all of the tax credits, exemptions and deductions for both corporate and personal taxes. Streamlining the tax system not only reduces administrative costs but also enhances transparency.

Once again, your CTF recommended the provincial government implement a legislated debt retirement schedule. The CTF debt retirement plan is manageable by linking net debt reductions to own source revenue. Therefore, debt reduction amounts reflect the economic times. While in Opposition, Gordon Campbell was an ardent supporter of legislated debt retirement but as premier

has barely managed the debt, let alone reduce it.

Your CTF also recommends the government live up to its 2001 promise of choice in auto insurance. The Insurance Corporation of British Columbia (ICBC) has more of a stronghold on the auto insurance industry than before the Liberals were elected. Your CTF is pushing for an end to the ICBC monopoly and for a level playing field for other



“Once again, your CTF recommended the provincial government implement a legislated debt retirement schedule.”

insurance agencies.

Further on the idea of choice your CTF urges the government repeal its prohibition on the purchase and sale of private medical insurance. In fact, the prohibition as set out in the *Medicare Protection Act* may soon be proven unconstitutional. As the new “health care conversation” has been launched by the provincial government, your CTF is promoting a patient

centered approach to reform. It is unconscionable that families are able to buy private medical insurance for the pet but unable to do the same for their children who are forced onto government wait lists. It's time for change.

The report is available on our website and includes several other key recommendations regarding the Olympics, property taxes and financial reporting. ■

JUNK the junk food tax!

The tax reflex of government is enough to make you sick at times. There doesn't seem to be a problem whether it is social, economic or even dietary, that a tax can't fix. The latest? A tax on junk food.

Our benevolent leaders on the legislature's health committee are considering a tax on junk food because we taxpayers don't know what's good for us. Here's the logic: obesity is caused by poor diet. Obesity costs the health care system dearly; therefore a tax on junk food would reduce poor eating and thus obesity. We are so lucky to have leaders with such foresight.

There are however a few problems with this logic. First, what is junk food? How should it be defined? Second, not all people that eat junk food are obese and not all obese people eat only junk food.

Instituting taxes to change social behaviour fails on almost every measure. Take gas taxes. Taxes on gasoline have increased 500 per cent since 1985 but more people drive more often today than in 1985. Admittedly, there is a threshold

where the rate of taxation effectively closes off consumer choice. Why stop with just taxing junk food? Why not let the government provide meals for us? We could have unionized state-run grocery stores that only sell government approved food? That would surely cut down on



by Sara MacIntyre
British Columbia Director

obesity!

Sarcasm aside, if obesity does cost the monopoly health care system millions of dollars, shouldn't the government try to address obesity? Your CTF suggests that lifestyle choices, including diet, exercise, etc. should be determinants of health care premiums. The approach would be similar to life insurance, one's lifestyle determines the premium. This ensures individuals take responsibility for their own health choices and lifestyle behaviours. ■



“On the junk food side, the number the “minister for healthy eating” has come up with is 40 per cent! That’s right. A chocolate bar could be subject not only to sales tax, but a 40 per cent junk food tax!”

Question: Answer:

How do you know the Alberta government is spending too much?

The Alberta Liberals claim they would spend less if they formed government.

Recently the Alberta Liberal party came out with a comprehensive plan to put 30 per cent of all resource revenues into savings, build the *Alberta Heritage Savings Trust Fund* up to \$120-billion — eight times more than what it is worth today — and cap spending at last year's \$8,500 per Albertan.

The Alberta Liberal plan called for program spending to reach “only” \$28.9-billion in this current 2006-07 fiscal year. In comparison, the Alberta government's second quarter fiscal update boosted 2006-07 spending to a record high of \$29.5-billion.

That's right, the Liberals claim they would spend less than the current “Conservative” government.

Unfortunately for the Liberals, they still have a long way to go before Albertans are ready to believe they would deliver if elected. The Alberta Liberals have a bit of a credibility problem when it comes to government spending.

Anyone who has listened to the Alberta Legislature's Question Period over the past few years has heard an endless barrage of Liberal claims of “chronic under-funding” in everything from health care, to education, to children's services, to seniors and even the justice system. This obviously raises a question as to how a Liberal government would deal with these so-called “chronic under-funding” problems, while still capping spending.

Regardless, it's fairly obvious Alberta cannot sustain yearly double-digit growth in government spending. If Alberta's new premier doesn't want to get out-flanked by the Liberal's savings and spending cap plan, he's only got until the next election to prove he's serious.■

“If Alberta's new premier doesn't want to get out-flanked by the Liberal's savings and spending cap plan, he's only got until the next election to prove he's serious.”

COMPENSATION UPDATE:

In the past eight months, your CTF has made three submissions to compensation commissions in Alberta. The first two were to the City of Edmonton and the City of Calgary. The third was to the Alberta Judicial Compensation Commission.

All three compensation commissions have reported. So how'd they do?

Edmonton:

- Increased mayor's total compensation by 14%;
- Increased city councillors' total compensation by 21%;
- Maintained special tax-free status on income and allowances;
- Increased severance pay from two weeks per year to three; and
- Created a \$500 health care spending account.

CTF Grade: **F**

Calgary:

- Froze mayor's compensation;
- Increased aldermen compensation by 6%;
- Eliminated special tax-free status on income; and
- Rolled Deputy Mayor allowance into base salary.

CTF Grade: **B+**

Provincial judges:

- Froze judicial salary at \$220,000/yr;
- No court battle between province and judges over settlement;
- Pension enhancement;
- Long-term disability enhancement; and
- Next commission in 2009 to review now frozen wages.

CTF Grade: **C or F**



by **Scott Hennig**
Alberta Director

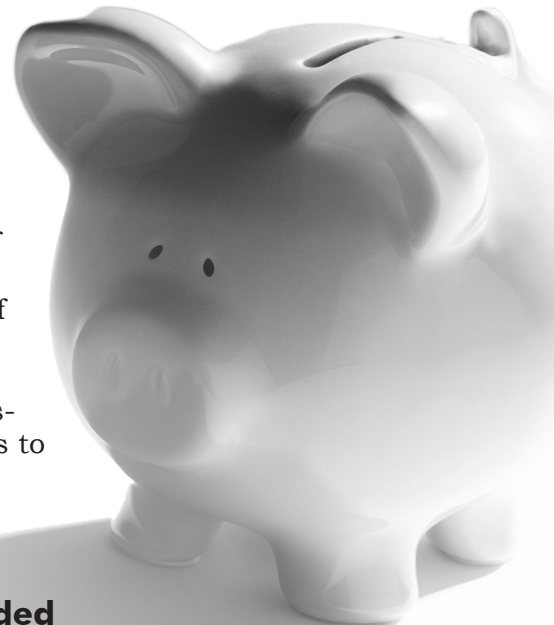
Why a grade of C or F? Three successive judicial compensation commissions since 1998 have handed Alberta judges pay hikes of 25 per cent, 20 per cent, and 29 per cent respectively, making them the highest paid provincial judges in Canada. Was a

massive pay hike needed or deserved? No. But as we've seen in the past, these judicial compensation commissions often give them one anyway.

Your CTF recommended judges have their salaries linked to the *Average Weekly Earnings of Albertans* as calculated by Statscan. It would have given judges a raise over the next three years, but it creates certainty that taxpayers won't be on the hook for massive pay hikes in the future.

The 2009 commission will decide whether the 2006 commission gets a C or F. It'll be a C if they recognize the freeze was done in response to a 93 per cent hike in judicial wages over the past nine years. It'll be an F if they look at three years of frozen wages and recommend massive increases to "catch-up." ■

“Your CTF recommended judges have their salaries linked to the Average Weekly Earnings of ALbertans as calculated by Statscan.”





PST cut a welcome surprise

We must admit to being caught off guard by the sudden cut to the PST from 7 per cent to 5 per cent. This was, without a doubt, a welcome surprise.

No matter how it's sliced, this is definitely a significant tax cut. The PST change will save taxpayers \$325 million annually, or \$307 for an average family earning \$50,000 per year. It means that Saskatchewan now has the lowest PST in the country save Alberta, which has no sales tax at all.

While it's always nice to see taxes coming



by David MacLean
Saskatchewan Director

down, some tax cuts are certainly better than others. If your CTF wrote the policy we would see income taxes or school taxes reduced. To put the PST cut in perspective, that \$325 million could almost cut school taxes in half.

The bottom line however, is that the PST cut saves taxpayers money and makes Saskatchewan a more competitive place to run a business. That's the kind of message we can sell to the rest of the country and it's a welcome sign from the current government!■

Meadow Lake Pulp Mill to be sold

There is new hope that the longest-running nightmare for Saskatchewan taxpayers may soon come to an end. Reports have surfaced suggesting

there may be one or more businesses interested in purchasing the Meadow Lake Pulp Mill before the end of the year.

If this really happens, it

will be welcome news for weary taxpayers.

The Meadow Lake Pulp Mill is the biggest money-loser in Saskatchewan history. Since the mill was launched

by the Grant Devine government in the early 90's, the mill has cost taxpayers more than \$800 million. Last year alone, taxpayers poured \$76 million into the project.

According to documents filed as part of court protection from its creditors, two formal offers for the mill were submitted in recent weeks.

However, the old saying "if it seems to good to be true it probably is" certainly applies here. To our knowledge, the mill has never turned a profit. Its debt has soared over the past 15 years. That means that a buyer would be tak-

“The Meadow Lake Pulp Mill is the biggest money-loser in Saskatchewan history ... the mill has cost taxpayers more than \$800 million.”

ing on the money-losing operations as well as the liabilities. They won't do this out of the goodness of their hearts.

It would be almost miraculous if a private company were to simply take over the mill. The reality will undoubtedly be something well short of miraculous.

The objective for the government should be to unload the mill and its liabilities without paying an extortionary price. It will be a delicate dance. We wish the government luck. ■



Liquor store costs soaring

Documents obtained through Freedom of Information by the Canadian Taxpayers Federation show the cost of running government liquor stores has soared by 33 per cent over the past four years.

Salaries for liquor store employees have jumped by 23 per cent since 2003 with the largest increase (13 per cent) taking place over the past year. Salaries for head office workers have risen by 13 per cent since 2003. Labour costs account for 65 per cent of all expenditures.

Saskatchewan Liquor and Gaming Authority (SLGA) spent \$3.6 million on liquor store construction in 2005-06 – nearly five times the amount spent the previous year.

The documents also show the top salary for liquor store customer service representatives has increased by 14 per cent since the beginning of 2005 to \$21.28 per hour, which is equivalent to \$44,262 per year. Statistics Canada data suggests the 2004 average salary for a cashier in Saskatchewan is \$10.24 per hour, which is the equivalent of \$21,299 per year.

A liquor store manager can earn as much as \$34.91/hour. The average hourly wage for firemen is only \$26.54 and police officers earn \$30.67.

It's time to privatize government liquor stores. Privatization benefits consumers with better selection, more stores in more convenient locations, and better hours of operation. There would be more jobs and entrepreneurs in every corner of the province could benefit from being involved in a profitable business. ■

Salary range for retail stores & distribution centre (Oct 2006)

Customer Service Representative Level 2	\$14.85 - \$18.59
Customer Service Representative Level 3	\$16.35 - \$19.70
Customer Service Representative Level 4	\$17.66 - \$21.28
Liquor Store Assistant Manager Level 5	\$19.07 - \$22.98
Liquor Store Manager Level 6	\$20.59 - \$24.82
Liquor Store Manager Level 8	\$24.47 - \$29.49
Liquor Store Manager O/S ML4	\$24.15 - \$32.35
Liquor Store Manager O/S ML5	\$26.07 - \$34.91

Source: Information obtained from SLGA through Freedom of Information.

The *good*, the *bad* & the *UGLY*

the good



For years, your CTF has been asking for cabinet ministers' expenses, taxpayer-funded polling data and orders-in-council (OICs) to be made readily available to the public without having to go through the long process of filing a freedom of information request. Fortunately, the provincial government — perhaps in the spirit of Right to Know Week — has acknowledged they have unnecessarily held onto this information to shield themselves from embarrassment.

The NDP government has announced that OICs will be available on the Inter-

net by the end of this year and cabinet ministers' expenses will be tabled in the legislature on an annual basis as well. Currently, OICs are only available in paper copies requiring one to go the legislature to look at them. Governments can use OICs to put through spending announcements without any debate on the floor of the legislature. Back in April of 2005, the NDP government quietly put through an increase to Manitoba's Lieutenant Governor's

party budget; the issue only came to light when a reporter from Broadcast News asked the CTF for a comment on the spending increase.

There are some other things that are being considered and your CTF strongly encourages the government to act on them during this session of the legislature:

- adding opinion polls paid for by government to the list of information that may not be withheld to the public under the exemption of "advice"; and
- conducting a government-wide review of information that can be routinely disclosed on the Internet so that citizens do not have to fill out unnecessary forms.■

the bad

Now that Saskatchewan's NDP government has seen the light on tax cuts by announcing a 2 point reduction in provincial sales tax, Manitoba's NDP government is happy to sit back and watch as our province continues to fall behind in the



Manitoba

world of competitive taxation.

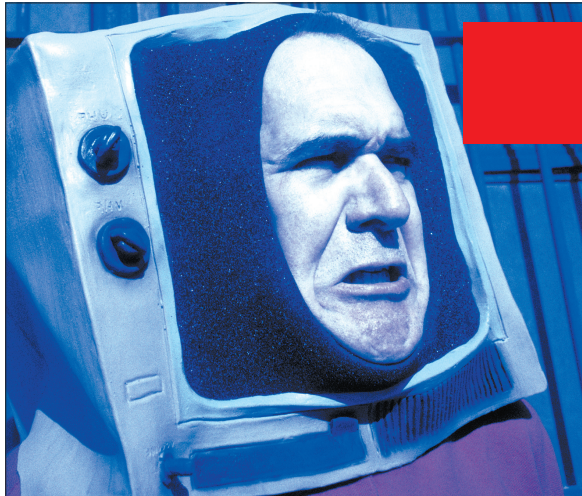
Manitoba's Minister of Finance says Manitoba has different priorities. And who's to argue? 3,800 people that left the province for greener pastures to the West can't be wrong. What is perhaps most disconcerting is the Manitoba government's failure to recognize that without competitive taxation job growth becomes stagnant. People will leave the province to find work.

Our tax base is shrinking, and over time, Manitoba's reliance on transfer payments from the federal government (read: taxpayers from the rest of the country) will only grow: a pathetic testimony to how we will be able to fund our programs and services.

Saskatchewan is now beating us with a lower sales tax, income taxes and general corporate tax rate. Manitoba can boast a lower gas tax, but that is offset by increases to utility costs and ever-growing school taxes.

There used to be a saying that Saskatchewan was "the gap" between Manitoba and Alberta. Sadly, Manitoba is now "the gap" between Ontario and Saskatchewan. ■

“3,800 people that left the province for greener pastures to the West can't be wrong.”



the ugly

Manitoba's NDP government certainly likes their propaganda campaigns. It started with the now defunct "Manitoba Calling" magazine, then moved onto a \$200,000 ad campaign to bolster the image of nurses. And who could forget the \$259,000 spent trying to convince the public there is no health care crisis in Manitoba. And finally, the mother of all wasted tax dollars, the failed re-branding strategy "Spirited Energy."

But wait! Now there's a new one. According to information obtained by the *Winnipeg Sun*, taxpayers forked over \$290,000 for the "Seeing Green" campaign. The intent of the cam-



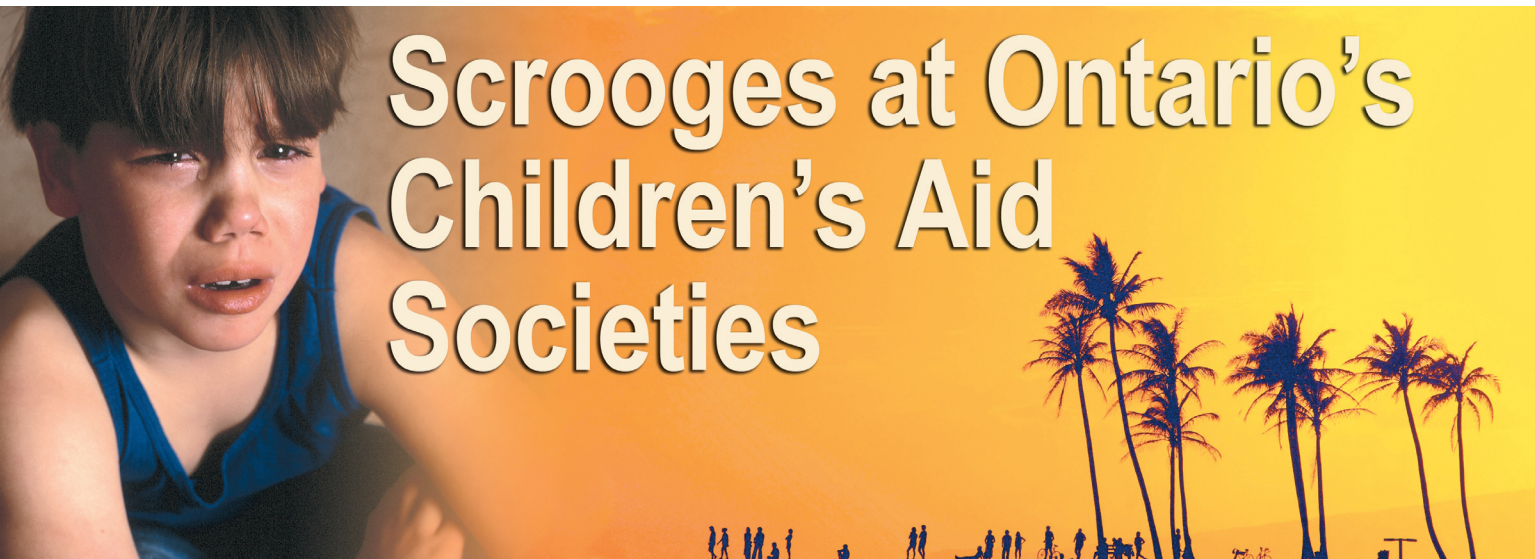
by **Adrienne Batra**
Manitoba Director

paign is to sell us — with our own money — on the idea that because the NDP government is environmentally friendly, we all need to be as well. The ads sing the praises of a "prosperous green economy."

Manitobans recognize, on their own, that respecting the earth is important. We don't need a taxpayer-funded ad campaign to tell us, for example, that recycling is a good idea. It is evident each day. Just walk down a residential street in Winnipeg on any recycling day and a majority of the homes will have their blue bin out, filled to the brim with recyclable items. ■

“And who could forget the \$259,000 spent trying to convince the public there is no health care crisis in Manitoba ... But wait there is a new one...”





Scrooges at Ontario's Children's Aid Societies

The stockings of children cared for by Ontario Children's Aid Societies and taxpayers will be full of coal this Christmas. And it's not because they were naughty. It's because executives at Children's Aid Societies around the province decided to buy luxury cars, take trips to sunny destinations and lavishly dine on the taxpayers' tab.

The Ontario Association of Children's Aid Societies is supposed to be the voice of child welfare in Ontario "dedicated to providing leadership for the achievement of excellence in the protection of children and in the promotion of their well-being within their families and communities." Yet a provincial auditor's value for money report suggests senior executives were far more interested in their own well-being.

The auditor's report examines four specific aid societies: Toronto, Thunder Bay, Peel Region and York Region. These four agencies account for 25 per cent, or \$310-million, of the total \$1.4-billion provincial

Children's Aid Society budget. That \$1.4-billion is shared among 53 societies around the province.

Senior managers received high-end sport utility vehicles to use for work related purposes. It was reported that two senior staff members at one agency received cars worth \$53,000 and \$59,000 respectively. This is tens of thousands of dollars more than the \$30,000 provincial deputy ministers are allotted!

But as if the lavishness of the vehicles wasn't enough, they were barely used. The auditor's report found that half the vehicles were returned with less than 10,000 kms logged and some less than 4,000 km. That number is well below the 22,000 kms deemed appropriate by the Ministry of Transport.

The executives may try to claim that they were on vacation as an excuse for the lack of time logged on the road. But that raises even more revelations. The audit shows that senior managers of these agen-

cies went on trips to warm destinations such as the Caribbean and South America including week long stays at resorts, all on the taxpayers tab of course!

In one instance, a senior executive claimed he was attending an international conference in Beijing, China. However, the conference was completely unrelated to the business of children's aid. Another society paid \$1,700 for an all-inclusive trip to a resort in St. Martins

Update:
The Toronto bid to host Expo 2015 looks to be dead. The CTF was instrumental in shedding light on the blank cheque provision and ensuring taxpayers would not be on the hook for Toronto's party bills.

and another \$4,000 for a week long getaway to St. Lucia.

The individual executives with the four Children's Aid Societies had a duty to protect vulnerable children and

taxpayers. They have failed miserably at both. Premier McGuinty must not take this news lightly. It's time to send the message to the Children's Aid Society and the provincial

public service by terminating these executives and using all legal channels to recoup the inappropriately spent money. It's time to put the coal where it belongs! ■

State Propaganda

New government ads - Another promise broken

In between promising to not raise taxes and run balanced budgets in the 2003 provincial election campaign, Dalton McGuinty also promised to remove partisanship from government advertising. For three years this seemed like it was going to be one promise Premier McGuinty was actually going to keep.

However, just one year before Premier McGuinty will go to the polls, government advertising has taken a dramatic turn toward partisanship. While the most recent ads do not feature images, or the voice of the premier, they do convey the exact same tightly crafted message he has been delivering at election-style tour stops: Hospital wait times are down and class sizes are smaller.

Recent headlines do not echo the government's assessment of their own performance. Since release of the ads, two hospital emergency rooms have been on the brink of closing due to understaffing. Meanwhile, the Dufferin-Peel Catholic District School Board has been taken over by the province for not balancing their books.

The premier has defended the ads, not on the merits of the message, but on the basis that the previous government was worse! On average, the previous PC governments spent \$44-million a year compared to \$31-million a year the current Liberal government has spent since taking office in 2003.

However, it's worth noting what a radical de-



by Neil Desai
Ontario Director

parture this is from the premier's previous position. Dalton McGuinty vowed during the 2003 campaign to not only end partisan advertising, but end it by law!

Fast forward to today and on a

“The Premier has defended the ads, not on the merits of the message, but on the basis that the previous government was worse.”

visit to Rouge Valley Hospital the premier is challenged on the truth of a half page advertisement which states: “Right now across Ontario there are more nurses ... And there are more doctors ready to help you ... so you spend less time waiting.” Kathryn Townsend, a nurse in attendance at the event enlightened a bewildered McGuinty that no

new nurses had been added at the hospital to improve wait-times.

The auditor general has confirmed that the premier is not in breach of the new advertising legislation despite the obvious partisan message being conveyed. Hmmm ... wonder who wrote the law?

Premier McGuinty clinging to the previous government's poor record on partisan advertising is a sorry justification for wasting even more tax dollars today. And even at that, he is only holding on by a thread: at the rate the government is spending money on advertising in their final year before the election, they will easily exceed the amount spent by the previous Harris and Eves governments. ■

A Nation of Serfs

How Canada's political culture corrupts Canadian values.

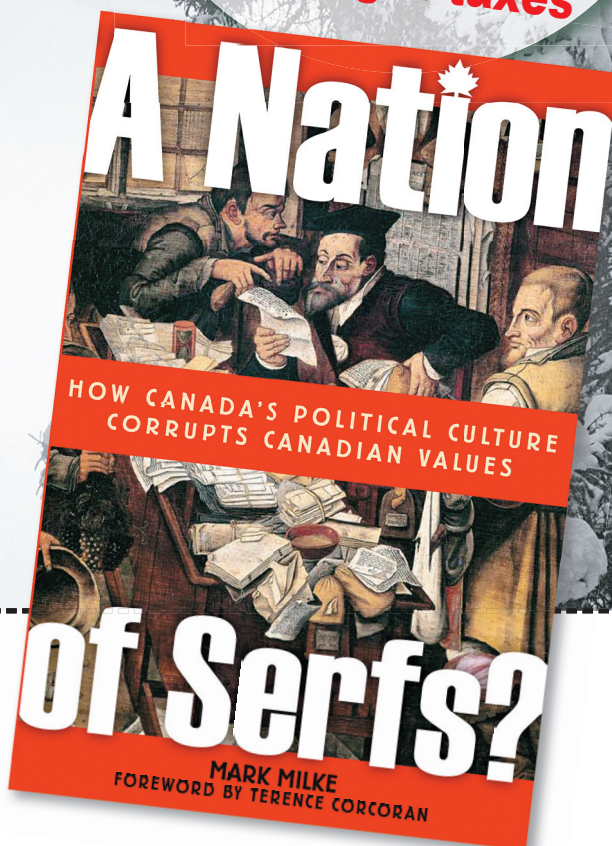
Written by former CTF director Mark Milke, author of the Canadian best seller, *Tax Me, I'm Canadian*, Milke looks at why Canada's politicians and judges often make citizens sore. Big surprise: While Canadians are responsible, play fair, and raise their kids to be the same, we often accept far less from those who govern and judge us.

Tragically, just as some politicians like Prime Minister Stephen Harper suggests scrapping gag laws, cutting taxes and bringing in tougher sentences, he's opposed by a political-bureaucratic-judicial axis with its own twisted priorities. With dry wit, Milke explains how:

- separatist sympathizers end up as head of state;
- courts are soft on crime but tough on free speech; and
- why the rise of the New West will change Canada for the better.

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